

Property Type	Primary Residence – SFR/PUD/Condo/2-4 Units					
Transaction Type	Purchase	No Cash-Out	Cash-Out Refinance		Credit Score	
Max LTV/CLTV	96.50%	97.75%	N/A		620	
FHA Loan Limits	FHA mortgage limits for all areas: https://entp.hud.gov/idapp/html/hicostlook.cfm					
Mortgage Insurance Premium (MIP)						
Terms	> 15-Year term (base loan amount ≤ \$625,500)			≤ 15-Year term (base loan amount ≤ \$625,500)		
	LTV	UFMIP	Annual	LTV	UFMIP	Annual
	> 95%	1.75%	0.85%	> 90%	1.75%	0.70%
	≤ 95%	1.75%	0.80%	78.01% - 90%	1.75%	0.45%
Terms	> 15-Year term (base loan amount > \$625,500)			≤ 15-Year term (base loan amount > \$625,500)		
	LTV	UFMIP	Annual	LTV	UFMIP	Annual
	> 95%	1.75%	1.05%	> 90%	1.75%	0.95%
	≤ 95%	1.75%	1.00%	78.01% - 90%	1.75%	0.70%
Mortgage Insurance Premium (MIP) For All Loan Amounts ≤ 15-Years						
	LTV		UFMIP		Annual	
	≤ 78.00%		1.75%		0.45%	
MIP Notes						
	<ul style="list-style-type: none"> Program eligibility is determined using the base loan amount prior to financing UFMIP UFMIP must be 100% financed into the mortgage or paid entirely by cash; partial financing is not permitted 					
General Loan Information						
Fees	<ul style="list-style-type: none"> The Consultant Fee is required to be disclosed, if applicable. Note: HUD consultant typically requires payment up front by the borrower at time of services rendered. The holdback allocation amount must be disclosed <p>Note: Reno Desk to ensure the above fees are properly disclosed.</p> <ul style="list-style-type: none"> The following repair/improvement costs and fees may be financed: <ul style="list-style-type: none"> Cost of construction, repairs and rehabilitation Inspection fees performed during the construction period that are reasonable/customary for the area Title update fees Permits Architectural/engineering professional fees - Standard 203(k) only Consultant fee subject to limits in the 203(k) Consultant Fee Schedule – Standard 203(k) only A Feasibility Study when necessary to determine if the rehabilitation is feasible – Standard 203(k) only Ineligible Fees and Costs that may not be financed for the Limited 203(k): <ul style="list-style-type: none"> Mortgage payment reserves Architectural/engineering professional fees 203(k) Consultant Fee A Feasibility Study 					



<p>Contractor Requirements</p>	<ul style="list-style-type: none"> • A borrower’s Work Plan is required on a Limited 203(k) and use one or more contractors to provide the Cost Estimate, contractor’s Bids and complete the required improvements/repairs • Contractor to provide proof that they meet all jurisdictional licensing and bonding requirements • Contractor must be licensed in the scope of work they are completing • Contractor must agree to complete the work within the allotted timeframe • Contractor must have minimum of 3 years’ experience and have proof of liability insurance
<p>HUD Consultant</p>	<ul style="list-style-type: none"> • A HUD Consultant is required on a Standard 203(k) <ul style="list-style-type: none"> ○ Select from an FHA approved 203(k) Consultant roster in FHAC. LDW must not use services of a consultant who has demonstrated previous poor performance based on reviews by Reno Desk ○ Consultant must inspect subject property and prepare a Work Write-Up and Cost Estimate • A HUD Consultant is not required on a Limited 203(k) but may be used (Fee may not be financed for a Limited) <p>Note: LDW must review the Work Write-Up and ensure all health and safety issues are addressed before including any additional repair work items. Obtain and review all applicable architectural exhibits, if applicable. The final Work Write-Up must include all required repairs/improvements to meet HUD’s minimum property standards and MPR as applicable.</p>
<p>Self Help</p>	<ul style="list-style-type: none"> • Self Help work must be approved by the Reno Desk • Borrower must sign a Rehabilitation Self-Help Loan Agreement • Borrower must demonstrate ability to act as the general contractor or to perform own work (i.e. work history, special training, licensed general contractor – not allowed in TX) • Borrower must maintain complete records showing actual cost of rehab, including paid receipts for materials and Lien Waivers for any subcontractors • Ensure all applicable permits must be obtained prior to commencement of work • The borrower must not be reimbursed for labor costs; only materials will be reimbursed • Limited 203(k) Self Help requires a Cost Estimate from a contractor other than the borrower provides a breakdown of the cost for labor and materials for each work item. The contractor must be licensed and bonded if required by the local jurisdiction • Standard 203(k) Self Help requires the consultant to identify on the Work Write-Up for each work item to be performed by the borrower
<p>Loan Purpose</p>	<ul style="list-style-type: none"> • Purchase • No Cash-out Refinance
<p>Eligible Borrowers</p>	<ul style="list-style-type: none"> • US citizens • Non-occupant co-borrowers • Inter vivos revocable trusts • Permanent and non-permanent resident aliens
<p>Eligible Terms</p>	<ul style="list-style-type: none"> • 15 Year, 30 Year Fixed and High Balance Fixed FHA 203(k) Limited & Standard loan plans • CMT 5/1 ARM and High Balance 5/1 ARM FHA 203(k) Limited and Standard loan plans • All ARM loans are 30-year fully amortizing with 1/1/5 caps, 1-Year CMT index and 1.75 margin. • Qualify at Note Rate.



Occupancy	<ul style="list-style-type: none"> • Owner-occupied principal residence
Property Types	<p>Eligible Properties:</p> <ul style="list-style-type: none"> • 1-Unit attached and detached SFR/PUD/Condo (must be HUD-approved) • 2-4 Units <p>Ineligible:</p> <ul style="list-style-type: none"> • Homes with final certificate of occupancy (CO) issued within 12 months • Incomplete homes • Manufactured Home/On-frame modular construction • Agricultural properties • Co-op/Log homes/Geodesic dome/Berm homes
Forms	<ul style="list-style-type: none"> • The following must be provided and/or completed in their entirety: <ul style="list-style-type: none"> ○ Borrowers Work Plan (Limited 203(k) only) ○ Notice to Borrower ○ Notice to Contractor ○ Notice to Consultant (Standard) ○ Homeowner/Contractor Agreement ○ Completed W-9 for contractor ○ Contractor Profile ○ Contractor Licensing information ○ Contractor Liability Insurance ○ Contractor Certification ○ Self-Help Agreement (if the borrower(s) are doing the work) ○ 203k Borrower's Acknowledgement ○ Borrower's Identity of Interest ○ Consultants Identity of Interest (Standard) ○ Consultant/Borrower Allowable Fee Agreement ○ Fully executed contract detailing repairs, cost of materials and required permits signed by the borrower(s) and contractor(s) ○ FHA Consultant Work Write-Up (Standard) ○ Permits and Certifications required, if applicable ○ Initial Disbursement Request (Limited 203(k) only) • Forms may NOT be signed counterpart
DTI Ratios	<ul style="list-style-type: none"> • Per AUS
Condo	<ul style="list-style-type: none"> • Condo unit must be an FHA-approved condo project and must comply with all other requirements for condos • Rehab or improvements are limited to the interior of the unit, except for the installation of firewalls in the attic for the unit • No more than 5 units per condo association, or 25% of the total number of units, whichever is less can undergo rehab/repairs at any time • After rehab is complete, the unit is located in a structure containing no more than 4 units. For townhouse style condos, each townhouse is considered as one structure; provided each unit is separated by a one and one-half hour firewall from foundation to roof



Maximum Mortgage Amounts	<ul style="list-style-type: none"> • Purchase – is the lesser of: 1) LTV ratio times the Adjusted As-Is Value plus financeable repair/improvement costs (Standard/Limited), mortgage fees (Standard/Limited), contingency reserves (Standard/Limited) and mortgage payment reserves (Standard 203k only) or 110% of the After Improved Value (100% for condos) OR 2) the FHA Nationwide Mortgage Limits • Refinance – is the lesser of: 1) existing debt and fees with the new mortgage plus financeable repair/improvement costs (Standard/Limited), mortgage fees (Standard/Limited), contingency reserves (Standard/Limited) and mortgage payment reserves (Standard 203k only), 2) LTV ratio times the Adjusted As-Is Value plus financeable repair/improvement costs (Standard/Limited), mortgage fees (Standard/Limited), contingency reserves (Standard/Limited) and mortgage payment reserves (Standard 203k only) or 110% of the After Improved Value (100% for condos) OR 3) the FHA Nationwide Mortgage Limits
Contingency Reserve	<ul style="list-style-type: none"> • A contingency reserve is required to cover unforeseen project costs between 10 – 20% of the rehab cost (Consultant determines for Standard 203(k); LDW requires a minimum 10% for Limited 203(k)) • When the utilities are not operable: <ul style="list-style-type: none"> ○ Contingency reserve requirement as determined by the Consultant in the Work Write-Up for a Standard 203(k) ○ Minimum 15% contingency reserve requirement for a Limited 203(k)

Limited 203(k)

- Minor remodeling and non-structural repair(s)
- Minimum \$5,000 repair amount and maximum \$35,000 including all costs
- A 203(k) fee consultant is not required but may be used
- Repairs must start within 30 days and be completed within 6 months
- Maximum of 2 draws (Initial and Final)
- Projects cannot have more than three (3) specialized contractors without use of a General Contractor to manage the project
- Projects that contain self-help must be done as a Standard with consultant. The material and labor from the Maximum Mortgage Worksheet (MMWS) will be financed. Painting and appliance purchases may be included on a Limited as self-help



Limited 203(k) Repair List

Eligible Repairs/Improvements include but not limited to:

- Eliminating health and safety hazards to meet HUD's minimum property requirements (MPRs)
- Repair/replacement of roof provided the structural integrity of the structure will not be impacted by the work being performed; siding; gutters and downspouts
- Repair/replacement/upgrade of existing: HVAC systems, plumbing, and electrical systems
- Repair/replace/add exterior decks, patios, porches (must increase As-Is Property Value equal to the dollar amount spent on the improvement)
- Minor remodeling, such as kitchens, which does not involve structural repairs
- Painting, exterior and interior (changes for improved functions and modernization)
- Eliminating obsolescence
- Purchase and installation of appliances including free-standing ranges, refrigerators, washers/dryers, dishwashers and microwave ovens
- Accessibility improvements for persons with disabilities
- Lead-based paint stabilization or abatement of lead-based paint hazards if the structure was built before 1978
- Septic system and/or well repair or replacement
- Connecting to public water and sewage systems
- Pool repairs
- Installing/repairing fences, walkways and driveways
- Check HUD's website for a more complete list of allowable repairs; www.hud.gov

Note: All repairs/improvements must meet HUD's MPR and meet or exceed local building codes.



Limited 203(k) Ineligible Repairs/Improvements

- Major rehabilitation/remodeling, such as when any of the following exists:
 - Repairs/improvements requiring a work schedule longer than six months to complete
 - Rehab activities require more than 2 payments per specialized contractor
 - The required repairs arising from the appraisal requiring a HUD Consultant to develop a specification of repairs/Work Write-Up or requiring architectural exhibits/plans
- The repair prevents the borrower from occupying subject property for more than 15 days Major remodeling and structural repairs/alterations such as 1-4 structure conversion, additions, finished attics, basements, constructing a garage, changing footprint or requiring architectural plans, etc.
- Site improvements and landscaping
- Constructing a windstorm shelter
- Additions/alterations to support commercial use or to equip/refurbish space for commercial use
- Recreational or luxury improvements such as –
 - Swimming pools
 - Exterior hot tub, spa, whirlpool bath or sauna
 - Barbecue pits, outdoor fireplaces or hearths
 - Bath houses, tennis courts, satellite dishes, photo murals, gazebos,
 - Tree surgery (except when eliminating an endangerment to existing improvements)

Standard 203(k)

- Major remodeling and structural repair(s)
- Minimum \$5,000 repair amount; No maximum
- Repairs must start within 30 days and be completed within 6 months
- Up to 5 draws; No initial draw is allowed. The Homeowner/Contractor Agreement and Consultant Work Write Up is signed by all parties agreeing to the draw schedule and holdback policy
- Inspection and Title Update required prior to each draw
- Must have HUD-accepted 203K fee consultant to ensure program compliance:
 - Initial review prior to appraisal:
 - Cost of Repairs/Fee: varies, contact the 203k Consultant
- 10% holdback is required for each draw in the Contingency Reserve
- Projects cannot have more than three (3) specialized contractors without use of a General Contractor to manage the project
- Projects that contain self-help must be done as a Standard with consultant. The material and labor from the MMWS will be financed. Painting and appliance purchases may be included on a Limited as self-help

Up to 6 months PITIA can be financed if home is deemed uninhabitable by the HUD Consultant



Standard 203(k) Repair List

Eligible Repairs/Improvements include but not limited to:

- Major remodeling and structural repairs/alterations such as 1-4 structure conversion, additions, finished attics, basements, constructing a garage, changing footprint or requiring architectural plans, etc.
- Eliminating health and safety hazards to meet HUD's minimum property requirements (MPRs)
- Installing or repairing wells and/or septic systems
- Connecting to public water and sewage systems
- Repairing/replacing plumbing, heating, AC and electrical systems
- Making changes for improved functions, modernization, and aesthetic appeal
- Installing/adding/repairing roof, gutters, downspouts, fences, walkways, and driveways
- Creating accessibility for person(s) with disabilities
- Repairing or removing an in-ground swimming pool
- Installing appliances, built-in microwave oven, washer/dryer, and smoke detectors
- Make site improvements
- Installing/repairing exterior decks, patios, porches, and windstorm shelter
- Cover lead-based paint stabilization costs if structure was built before 1978
- Check HUD's website for a more complete list of allowable repairs; www.hud.gov

Note: All repairs/improvements must meet HUD's MPR and meet or exceed local building codes.

Ineligible Repairs/Improvements of luxury item, or improvement that does not become permanent part of the subject:

- Recreational or luxury improvements such as –
 - Swimming pools (existing swimming pools can be repaired)
 - Exterior hot tub, spa, whirlpool bath or sauna
 - Barbecue pits, outdoor fireplaces or hearths
 - Bath houses, tennis courts, satellite dishes, photo murals, gazebos,
 - Tree surgery (except when eliminating an endangerment to existing improvements)

Additions or alterations to support commercial use or to equip/refurbish space for commercial use



<p>Underwriting</p>	<ul style="list-style-type: none"> • Minimum 620 credit score required regardless of AUS decision. All borrowers must have at least one valid credit score • FHAC case # assignment requirements must be specific to FHA 203(k) as required per 4000.1 II.A.8.v Case Number Assignment Data Entry Requirements • Manual underwriting eligible without exception <ul style="list-style-type: none"> ○ Must meet all FHA compensating factor requirements for manual UW as per FHA 4000.1 handbook ○ Must have a minimum of 3 months reserves • All loans must be submitted through FHA TOTAL scorecard (DU/LPA permitted) • Borrower eligibility, credit, income and asset requirements are the same as a FHA 203(b) 4000.1 guidelines • Short Sale, Foreclosure, pre-foreclosure, and deed-in-lieu: 3 year seasoning required • Chapter 7 or Chapter 13 bankruptcy: 2 year seasoning from discharge • Credit report for non-borrowing spouse must be pulled in community property states with individual debts being included in the DTI. This applies if the subject property is located in a community property state or if the borrower's primary residence is in a community property state even though the subject property is not in a community property state. The non-borrowing spouse's SSN must match with the Social Security Administration and/or must obtain non-borrowing spouse's consent and authorization to verify the SSN with the SSA • A fully executed IRS Form 4506-T is required for each borrower on the loan. Refer to Tax Transcripts-4506-T Policy for when transcripts are required • UW must ensure the sales contract includes a provision that the borrower applied for section 203(k) financing; that the contract is contingent upon mortgage approval and the borrower's acceptance of additional required improvements as determined by LDW • Sales transactions between family members are permitted. LDW must ensure there are no other instances of Identity of Interest or conflict of interest between parties in the 203(k) transaction • Any initial draw at closing, DE UW must document the amount and purpose of an initial draw at closing on the LT
<p>Contingency Reserve</p>	<ul style="list-style-type: none"> • A contingency reserve is required to cover unforeseen project costs between 10 – 20% of the rehab cost (Consultant determines for Standard 203(k); LDW requires a minimum 10% for Limited 203(k)) • When the utilities are not operable: <ul style="list-style-type: none"> ○ Contingency reserve requirement as determined by the Consultant in the Work Write-Up for a Standard 203(k) ○ Minimum 15% contingency reserve requirement for a Limited 203(k)



<p>Ineligible Transactions</p>	<ul style="list-style-type: none"> • EEM (Energy Efficient Mortgage) • FHA Secure • Hope for Homeowners • Down payment assistance options • Texas 50(a)(6) loans • Cash Out Refinances • Second homes and Investment properties • Hawaiian Home Land Transactions • Properties located in Hawaii Lava Zones 1 & 2
<p>Property / Appraisal Requirements</p>	<ul style="list-style-type: none"> • All appraisals must be completed by HUD-approved appraisers • Subject property must be an existing property completed for at least 1 year prior to the case number assignment date. If unsure , LDW must request a copy of the certificate of occupancy (CO) or an equivalent • All repairs/improvements must meet HUD’s MPR and meet/exceed local building codes. Any addition of a structure unit must be attached to the existing structure • Site improvements, patios, decks and terraces must increase the “As-Is” property value equal to the dollar amount spent on the improvements or be necessary to preserve the property from erosion • An existing 203(k) mortgage is not eligible to be refinanced until all repairs are completed and the case has been electronically closed out • Flip resales are permitted after 90 days from acquisition date similar to a FHA 203(b) loan <ul style="list-style-type: none"> ○ Second appraisal must be obtained if resale price is double the price paid by seller to acquire the property • Property value must be established as follows: Adjusted As-Is Value and an After Improved Value <ul style="list-style-type: none"> ○ Adjusted As-Is Value for purchase transaction is the lesser of 1) sales price less any inducements to purchase or 2) the As-Is Property Value is the “as-is” value determined by an FHA Roster Appraiser ○ Adjusted As-Is Value for refinance transactions: <ul style="list-style-type: none"> ▪ Properties acquired ≥ 12 months prior to the case assignment date <ul style="list-style-type: none"> ➢ LDW must obtain an “as-is” appraisal to determine the Adjusted As-Is Value when the existing debt plus the following items exceeds the After Improved Value: <ul style="list-style-type: none"> ✓ Financeable repairs/improvement costs ✓ Financeable mortgage fees ✓ Financeable contingency reserves ✓ Financeable mortgage payment reserves (Standard 203k only) <p>Note: When an appraisal is obtained, the Adjusted As-Is Value is the “as-is” property value.</p> <ul style="list-style-type: none"> ➢ LDW has the option of using the existing debt plus fees associated with the new mortgage or obtain an “as-is” appraisal to determine the Adjusted As-Is Value when the existing debt on the property plus the above 4 items listed does not exceed the After Improved Value <p>Note: Existing debt includes 1) unpaid principal balance of the 1st mortgage as of the month prior to mortgage disbursement, 2) unpaid principal balance of any purchase money junior mortgage as of the month prior to mortgage disbursement, 3) unpaid principal balance of any junior liens > 12 months old as</p>



of the date of mortgage disbursement. If the balance or any portion of HELOC in excess of \$1000 was advanced within 12 months and was for purposes other than repairs and rehab, the portion above and beyond \$1000 is not eligible for inclusion in the new mortgage, 4) interest due on existing mortgage, 5) mortgage insurance premium due on existing mortgage, 6) any prepayment penalties assessed, 7) late charges & 8) escrow shortages

- Properties acquired < 12 months prior to the case assignment date require an “as-is” appraisal. The Adjusted As-Is Value is the “as-is” property value
- Properties acquired within 12 months of case assignment date by inheritance or through a gift from a family member, LDW may utilize the above calculation of Adjusted As-Is Value for properties acquired ≥ 12 months prior to the case assignment date
 - To establish the After Improved Value, LDW must obtain an appraisal of the property subject to the repairs and improvements
- Documents to be provided to the appraiser at assignment: 1) copy of the Consultant’s Work Write-Up and Cost Estimate for Standard 203(k) or 2) copy of the work plan, contractor’s proposal and Cost Estimates for a Limited 203(k)
- Health/safety repairs noted by the appraiser that were not included in the consultant’s write up, borrower’s work plan or contractor’s proposal, LDW must ensure the repairs are included in the final work write up or work plan

